



Iowa General Assembly

2015 Committee Briefings

Legislative Services Agency – Legal Services Division

GAMBLING CASINO RESTRICTED LICENSE STUDY COMMITTEE

Meeting Dates: [October 20, 2015](#)

Purpose. This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <https://www.legis.iowa.gov/>, or from the agency connected with the meeting or topic described.

GAMBLING CASINO RESTRICTED LICENSE STUDY COMMITTEE

October 20, 2015

Co-chairperson: Senator Wally Horn

Co-chairperson: Representative Guy Vander Linden

Overview. The Gambling Casino Restricted License Study Committee received testimony from various organizations and individuals related to the potential licensing of a nonsmoking casino in Cedar Rapids. This briefing includes a summary of the testimony by the various presenters.

Legislative Services Agency. Ms. Christin Mechler, Legislative Analyst, and Mr. Ed Cook, Senior Legal Counsel, provided background information from a fiscal and legal perspective regarding gaming revenues and casino licensing.

- **Fiscal.** Overall gaming revenues for FY 2014-2015 were \$313.9 million which was an increase of 1.7 percent from the previous fiscal year. During FY 2014-2015 gaming revenues distributed to local communities totaled \$11 million to county endowment fund counties (counties without a casino), which was an increase of 1.9 percent from the previous fiscal year, and revenues distributed to cities and counties with a casino totaled \$13.8 million, which was an increase of 2.1 percent from the previous fiscal year. The committee also learned that admissions to casinos were up 3.5 percent during FY 2014-2015.
- **Legal.** Pari-mutuel wagering was first authorized in 1983 but only for horse and dog racing. The Iowa Racing and Gaming Commission (Commission) was also created at this time and had full jurisdiction over all races. Gambling games were authorized in 1989 for slot machines, poker, and table games and the jurisdiction of the Commission was extended over these games at casinos. With respect to the issuance of a new casino license, the current statutory framework provides that the Commission has the power to investigate applicants, determine the eligibility of applicants for a license, and select among the competing applicants for a license the applicant which best serves the interests of the citizens of Iowa. The Commission adopted Iowa Administrative Code Rule 491-1.7 establishing the criteria for granting licenses and renewing licenses. The criteria include compliance, gaming integrity, economic impact and development, efficient and safe operation, community support, nurture of the racing industry, and other factors.
- **Current Legislation.** Three current bills were identified relating to casino gambling. Senate File 24 provides a tax exemption from the state wagering tax for promotional (free) plays, increases the percentage of state wagering tax revenues directed to the County Endowment Fund Program, requires a smoke-free casino license be issued, and establishes a 10-year moratorium on new casino licenses. Senate File 139 requires the Commission to issue a license in a city with a population over 50,000 persons. House File 255 requires the Commission to grant up to two licenses for smoke-free casinos.

County Endowment Fund Program. Ms. Kristi Knous, President, Greater Des Moines Community Foundation, and Mr. Joe Sorenson, Director of Affiliate Relations, Greater Des Moines Community Foundation, provided an overview of the County Endowment Fund Program. A county endowment fund exists in the 84 counties that do not have a casino and is funded in part from a percentage of the state wagering tax revenues. Many county endowment funds reserve 25 percent

of the funds received from the state wagering tax for establishment of a permanent endowment and use the remaining 75 percent of the funds for grant programs that impact local communities. In the previous year, county endowment funds awarded 2,259 grants totaling more than \$8.5 million throughout the state.

Iowa Racing and Gaming Commission. Mr. Brian Ohorilko, Administrator, Iowa Racing and Gaming Commission, presented an overview of the Commission and the licensing process. The process for obtaining a license lasts approximately five to ten months. The licensing process starts with a market study, followed by a public announcement, applicant presentation, background report, site visit by the Commission, public comment, a question-and-answer session for Commission members, and finally the decision. Committee discussion ensued about whether smoking in a casino has ever been considered a safety issue by the Commission. The committee learned that the Cedar Rapids application for a license was not for a smoke-free casino, and thus the Commission has never considered smoking as a safety issue or studied the impact of smoking on employees and patrons of a casino. More discussion ensued about smoking in casinos and the impact on the issuance of future licenses.

Casino Exemption from the Clean Air Act. Mr. Gary Streit, a volunteer with the American Cancer Society, presented about the dangers of secondhand smoke. The committee learned that there are 6,400 tobacco-related deaths a year in Iowa. Mr. Streit emphasized that he opposes smoking at any casino, not just the proposed smoke-free casino in Cedar Rapids. He discussed the fact that casinos are not losing money and that there is no evidence that casino revenues would be reduced if casinos banned smoking. He also stated that it is not a real choice when casino employees are told they do not have to work at the casino especially when working at a casino is a good-paying job. In response to a question, he also stated that secondhand smoke causes lung cancer and heart disease and should be considered a safety issue.

Workers' Perspective on Smoke-Free Casinos. Mr. Adam Swihart, a representative of the American Federation of State, County, and Municipal Employees (AFSCME), spoke on behalf of the workers at Prairie Meadows Casino. He stated that nonsmoking sections at casinos do not work because of the smell and employees are still subject to secondhand smoke throughout the rest of the casino. He noted that employees at table games are prohibited from waving smoke away from themselves and are not allowed to smoke in the breakroom. Mr. Dave Eyman, Special Agent, Division of Criminal Investigation of the Department of Public Safety, who is required to work at casinos, spoke about his work experiences at a casino. He informed the committee he is not speaking on behalf of his employer. He stated the filtration systems installed in casinos do not clean the air well, especially on crowded nights. He also noted that research has proven that secondhand smoke is dangerous. He further stated that while working at a casino is a good-paying job there is still huge employee turnover at Prairie Meadows.

Court Case Related to Proposed Cedar Rapids Casino. Mr. Gene Kopecky, an attorney from Cedar Rapids, discussed a lawsuit against the Commission over the proposed Cedar Rapids casino. He stated 67.5 percent of the voters in Linn County approved the casino. He believes that the Commission should advocate on behalf of the citizens of Iowa, not the casinos. The law does not specify that the Commission should protect the existing casinos by nullifying the vote of the people in Linn County. He further stated that the current statutory framework does not intend for the Commission to create a monopoly. The mission of the Commission has changed from supervising casinos to being concerned about casino profits. Finally, he noted that since Iowa is a county option state, the vote in Linn County has to mean something. A committee member asked what the objective was in filing the lawsuit. He responded that a declaratory order should be issued by the court that would prevent the Commission from considering the existence of a casino in one county in order to deny the issuance of a license for a casino in another county. More committee discussion followed about the Commission needing to operate more independently from the gaming industry.

Committee Discussion—Votes. The committee discussed and voted on two recommendations. The first recommendation requested that the Legislature direct the Commission to study the effects of secondhand smoke on employees and patrons of casinos. This recommendation did not pass. The second recommendation requested that the portion of the administrative rule including as a consideration for granting a casino license the impact of a new license on existing casino licensees be eliminated by the Legislature. This recommendation also did not pass. More committee discussion followed about future legislation, but no further recommendations were presented to the committee.

LSA Contacts: Joe McEniry, Legal Services, (515) 281-3189; Nick Schroeder, Legal Services, (515) 725-7323.

Internet Site: <https://www.legis.iowa.gov/committees/committee?ga=86&session=1&groupID=24162>